

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (1/7)
BUTTER: Grade AA closed at \$1.5850. The weekly average for Grade AA is \$1.5817 (+.0442).

CHEESE: Barrels closed at \$1.4500 and blocks at \$1.4925. The weekly average for barrels is \$1.4500 (N.C.) and blocks, \$1.4865 (+.0015).

BUTTER: The market tone is generally steady. Churning activity over the past Christmas/New Years holiday period was heavy from coast to coast. Cream offerings were readily available from local and out of area sources. Overall butter demand is light as buyers assess their inventory situation prior to re-entering the market. Heavy holiday churning activity and slow sales allowed holiday generated butter to enter inventory programs. CME weekly storage stocks of butter increased by 6.7 million pounds last week to stand at 18.0 million pounds. This is the largest weekly increase since January 2004. Producers, handlers, and traders anticipate butter sales to be slow for the near term as most buyers typically place short term or immediate need orders only.

CHEESE: The cash cheese market is about steady. Natural cheese supplies remain tight on most varieties though buyers are rebuilding their normal working inventories that were depleted last year. Mozzarella interest is seasonally sluggish. Process interest remains mostly fair at best. Cash cheese sales at the CME totaled 1045 loads during 2004, up sharply from the 699 in 2003, and the most since 2000. Cumulative U.S. cheddar production January – November, adjusting 2004 to the same number of days, totals 2.525 billion pounds, up 16.5 million pounds (0.7%) from the same period in 2003. The adjusted 2004 total cheese output totals 8.053 billion pounds, up 214.4 million pounds (2.7%) from 2003.

Commodity Credit Corporation (CCC) invites competitive offers, subject to the terms and conditions of Announcement DSC1 Invitation 017, to buy from CCC approximately 246,558 pounds of natural American cheese packed in 500-lb barrels and approximately 244,274 pounds of 40-LB block cheddar cheese for unrestricted use. Offers are due January 12 with public release due January 14.

FLUID MILK: Milk processing returned to pre holiday levels after a generally uneventful few weeks. Some locations saw plants full and balancing plants in action, but handling overall was uneventful. Fluid milk needs resumed for schools restarting this week and retail orders of bottled milk were rather light to normal, unless featured. Milk production in the Southwest was slowed by continued wet weather conditions that impacted California and Arizona. Storms were also impacting Utah and Idaho with snow and cold weather, which froze muddy feedlots. Cold and wet conditions moved into the Northwest, but were not yet impacting milk output. Snow and ice across wide sections of the Midwest caused

transportation problems from farm pickup to retail deliveries. Retail movements were heavier due to promotions and pre-storm demand. Milk production in Florida and the Southeast is building along seasonal patterns. Output trends are steady in the Northeast.

DRY PRODUCTS: Nonfat dry milk prices are steady to higher across all regions. Demand is good from a wide selection of domestic and export accounts. Drying was heavier to balance end of year milk supplies, but levels have mostly returned to normal. Dry buttermilk prices did not change but the market tone is somewhat unsettled. The rising NDM prices may provide buttermilk with a price floor. Additional drying of solids occurred during the last few weeks. Demand is seasonally fair. Dry whey prices were higher in the West and steady in all other regions. There is decent demand from domestic and export buyers to balance current offerings. Production is lighter than expected. Whey protein concentrate prices moved higher and are firm. Supplies are tight and harder to obtain unless needs have been contracted. Lactose prices are lower in a mixed market tone. Supplies are most available for lower mesh sized product. Additional contract price adjustments are expected.

CCC: During the week of January 3 - 7, there were no price support purchases.

DECEMBER AGRICULTURAL PRICES (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2004 was unchanged at 134. Compared with December 2003, the index was up 5 points (3.9%). The index of prices received by farmers for dairy products advanced 3 points during the month of December 2004 to 126. Compared with December 2003, the index was up 20 points (18.9%). Prices received by farmers in December with changes from November were: for All Milk, \$16.50 per hundredweight, up \$.40; Fluid Grade Milk, \$16.50, up \$.40; and for Manufacturing Grade Milk, \$15.90, up \$.30.

NOVEMBER DAIRY PRODUCTS (NASS): Butter production was 99.1 million pounds in November, 12.0% above November 2003 but 2.4% below October 2004. American type cheese production totaled 305.6 million pounds, 5.0% above November 2003 but 1.5% below October 2004. Total cheese output (excluding cottage cheese) was 749.6 million pounds, 5.6% above November 2003 and 0.2% above October 2004. Nonfat dry milk production, for human food, totaled 94.5 million pounds, 14.8% below November 2003 and 0.3% below October 2004. Dry whey production, for human food, was 83.5 million pounds, 1.4% above November 2003 and 3.7% above October 2004. Ice cream (hard) production totaled 60.1 million gallons, 0.9% above November 2003 but 12.2% below October 2004.

******SPECIAL THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY JANUARY 3	TUESDAY JANUARY 4	WEDNESDAY JANUARY 5	THURSDAY JANUARY 6	FRIDAY JANUARY 7	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	\$1.4500 (N.C.)	(N.C.)	\$1.4500 (N.C.)
40# BLOCKS	\$1.4850 (N.C.)	\$1.4850 (N.C.)	\$1.4850 (N.C.)	\$1.4850 (N.C.)	\$1.4925 (+.0075)	(+.0075)	\$1.4865 (+.0015)
BUTTER GRADE AA	\$1.5800 (+.0400)	----	\$1.5800 (N.C.)	----	\$1.5850 (+.0050)	(+.0450)	\$1.5817 (+.0442)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 3, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 2 CARS: 1 @ \$1.5650, 1 @ \$1.5800; BIDS UNFILLED: 5 CARS: 2 @ \$1.5800, 1 @ \$1.5775, 1 @ \$1.5725, 1 @ \$1.5575; OFFERS UNCOVERED: NONE

TUESDAY, JANUARY 4, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4850; OFFERS UNCOVERED: NONE

WEDNESDAY, JANUARY 5, 2005

CHEESE — SALES: 3 CARS 40# BLOCKS @ \$1.4850; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.4850; OFFERS UNCOVERED: NONE

BUTTER — SALES: 4 CARS: 1 @ \$1.5400, 1 @ \$1.5425, 1 @ \$1.5500, 1 @ \$1.5800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, JANUARY 6, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4850; OFFERS UNCOVERED: NONE

FRIDAY, JANUARY 7, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 5 CARS 40# BLOCKS: 1 @ \$1.4925, 1 @ \$1.4900, 1 @ \$1.4875, 2 @ \$1.4850; OFFERS UNCOVERED: NONE

BUTTER — SALES: 16 CARS GRADE AA: 5 @ \$1.5700, 1 @ \$1.5725, 1 @ \$1.5750, 1 @ \$1.5775, 1 @ \$1.5750, 2 @ \$1.5725, 1 @ \$1.5700, 1 @ \$1.5750, 1 @ \$1.5775, 1 @ \$1.5800, 1 @ \$1.5825; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.5850, 1 @ \$1.5625; OFFERS UNCOVERED: NONE

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8900. (The last price change occurred January 7th.) The weekly average for both Extra Grade and Grade A is \$0.8660.

BUTTER MARKETS

NOVEMBER BUTTER PRODUCTION

During November 2004, butter production in the United States totaled 99.1 million pounds, 12.0% more than November 2003, but 2.4% less than October 2004. The following are November to November changes for various states: CA +10.6%, NY -27.5%, PA +16.8% and WI +32.3%.

NORTHEAST

The market tone is steady to firm as the cash price increased 4 cents in light trading at the CME early in the week. Churning activity over the past holiday weekend was active although not as strong as during Christmas week. A few ice cream makers who are normally down during the entire holiday period were in production last week due to favorable cream prices and offerings. This ice cream production did lower offerings to butter operations, although plenty of cream was still available to maintain quite active production schedules. Stocks of butter remain low, although holiday production and slow sales did cause inventories to build. Early in the week, orders for fresh butter remain light as buyers assess their inventories following the year end holidays. Some fill-in orders are being placed, but most butter producers and handlers anticipate future orders to be light. Traders and handlers feel that future orders will be lighter as buyers will return to the market only when they need stock versus carry an inventory. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The butter market tone is basically steady, although the cash price at the CME increased 4 cents early in the week. Butter producers and handlers indicate that churning activity during the past holiday period was strong. Cream supplies are readily available from both local and out of area sources. Yet this week, cream

continues to enter the Central part of the country from Eastern sources at favorable delivered prices. Butter demand is light this week. Many producers and handlers anticipated that orders would be light at this time as buyers assess their inventory situation before re-entering the market. Stocks of butter are low and with slow sales activity, a significant percentage of holiday generated butter is entering inventory programs at many locations. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter production was heavier than anticipated over the two holiday weekends. Production remains heavy with cream still readily available to the churns. Buyers, in general, are not aggressively looking for butter even though the CME cash market was bid up 4 cents on Monday of this week to stand at \$1.58. Most buyers seem to be waiting for reports to come in about inventories before they reorder. Butter plants seem to have butter available for immediate shipment. U.S. butter production in November totals 99.1 million pounds, up 12.0% (10.6 million pounds) from last year. Production is down 2.4% from October. Butter output in the Western region in November totals 45.5 million pounds, up 7.2% from last year. The West produced 46% of U.S. butter production in November. Cumulative U.S. output for the first eleven months of the year totals 1.11 billion pounds, down 1.8% (20.7 million pounds) from the same period in 2003. This is the smallest deficit compared to last year noted in 2004. CME weekly storage stocks of butter increased by 6.7 million pounds last week to stand at 18.0 million pounds. This is the largest weekly increase since January of last year. Last year, this week, stocks were over 60 million pounds. Bulk butter prices range from flat to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
JANUARY 1	1.5381	1.4685	0.8830	1.5332	0.2401
	6,416,004	10,005,444	19,301,528	3,361,089	9,412,860

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Natural prices are unchanged with process prices 4 cents higher. Cheese production in the region was heavier over the holidays even though plant operators tried to limit intakes entering cheese plants in December. Class III milk prices are expected to be in better balance with cheese/whey returns in January compared to December. Current cheese offerings remain light and packagers continue to try to rebuild low working inventory levels and prepare orders for Super Bowl events.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5500-2.0650
Cheddar Single Daisies	:	1.5075-1.9825
Cheddar 40# Block	:	1.6250-1.8825
Process 5# Loaf	:	1.6600-1.8675
Process 5# Sliced	:	.6800-1.9325
Muenster	:	1.7225-1.9250
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is about steady. Results of holiday movement continue to trickle out. Process orders are steady to only occasionally stronger in January, overall just fair at best. Natural business is moderate at levels definitely lighter than before the yearend holidays. Supplies remains tight but are in better balance for most packagers. Working inventories at packaging plants have increased from the bare minimum. Bulk cheese order lead times are returning to near normal lengths. Mozzarella interest is seasonally sluggish, typical for around yearend. Many operations are rebuilding depleted cheddar aging programs while others are still hoping for additional price declines before starting. Cheese production is stronger in January as cheese and whey returns are expected to be closer to the cost of milk. Many plants were reluctant to take in very much holiday milk except at severe discounts or under regular balancing agreements. Cheese production is steady to slightly higher seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6300-2.2000
Brick And/Or Muenster 5#	:	2.1375-2.1800
Cheddar 40# Block	:	1.8375-2.2650
Monterey Jack 10#	:	2.0775-2.2650
Blue 5#	:	2.3325-2.9000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7825-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.9500

**WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS**

	BUTTER	:	CHEESE
		:	
01/01/05	12,599	:	124,064
12/01/05	12,616	:	125,402
CHANGE	-17	:	-1,338
% CHANGE	N.C.	:	-1

WEST

Cash prices for blocks at the CME have not changed since December 22 or eight trading sessions. They stand at \$1.4850. Offerings of current blocks are ample for the current level of demand. Some contacts indicate that warehouse stocks of all types of cheese are on the heavy side for this season of the year. Production of cheese was certainly strong over the two holiday weekends, but not above expectations. Buyer interest is being called fair at best. A number of buyers are delaying shipments for a period of time because they have enough cheese on hand and they want to use up their existing stocks. Others do need cheese immediately because they are basically out of current cheese. Some transportation issues are noted on cheese coming out of the Southwest where winter storms continue to hammer the region. U.S. American cheese production in November totals 305.6 million pounds, up 5.0% from last year (14.5 million pounds). Output in the Western region was up 5.4% and stands at 155.6 million pounds. Western output is 51% of the U.S. production. November Swiss output is 22.5 million pounds, up only slightly from last year. Cumulative output of all cheese for the first eleven months of the year totals 8.08 billion pounds, up 3.0% (238.7 million pounds). This works out to an average weekly increase of almost 5 million pounds for each week of 2004 through the end of November.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6025-1.8625
Cheddar 40# Block	:	1.6050-1.9575
Cheddar 10# Cuts	:	1.7850-2.0050
Monterey Jack 10#	:	1.7950-1.9550
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are unchanged on both domestic and imported cheeses. Current supplies are about adequate. Movement of many imported varieties remains good as distributors replenish supplies for anticipated Super Bowl needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	TFEWR	-0-
Blue	2.6400-4.2900	1.8650-3.3650
Gorgonzola	3.6900-5.9400	2.3750-2.4900
Parmesan (Italy)	TFEWR	3.2700-3.3850
Romano (Italy)	2.1000-3.1500	-0-
Provolone (Italy)	3.4400-5.8900	1.8775-2.1000
Romano (Cows Milk)	-0-	3.0600-5.2350
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	2.9500-4.0900	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.4500	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	30	0	152	0	63
SOUTHEAST STATES	0	0	0	0	0	0

Milk production trends during the final week of the year and early this week were much the same as previous weeks. Milk handlers in Florida indicate that production is building to the point that about 30 loads of milk were shipped out of state. This is lighter than the previous week, but additional demand for milk for first of the month needs and refilling bottling pipelines improved local demand. The adverse weather conditions of last week that greatly disrupted milk logistics from the farm all the way through deliveries of finished products have basically been cleaned up. Milk handlers and suppliers were thankful that these conditions did not continue into the New Year's holiday weekend. Milk volumes during the week between Christmas and New Year were much the same as they were for Christmas week. Bottling for much of last week was lighter, but resumed as the New Year holiday weekend approached. School bottling pipelines were being refilled, thus surplus milk volumes destined for manufacturing were lighter. Most schools resumed classes on Monday, although some year around schools are still on holiday break. This year, school breaks were shorter, thus days of surplus milk volumes were not as many. Surplus milk volumes during the holiday period, especially the week of New Years were heavy, although many milk handlers did state that the volumes appeared to not be as heavy as previous holiday periods. Many milk handlers stated that with the holidays occurring on the weekend, this relieved some of the pressure that is usually associated with the year end holidays. When the holidays are during the week, milk handlers are dealing with milk volumes during the actual holiday and then again on the weekend. Dryers in the Northeast were quite active during the holidays with churning also active. The condensed skim market is generally steady, although prices did firm slightly. The fluid cream market remains weak as holiday cream continues to clear the market. Eastern butter operations have been quite active during the yearend holidays, but operating schedules are now being reduced. Cream was readily available to local and out of area butter operations. Shipments to the Midwest were active during the holidays and continue into the current week.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7681-1.9988
DELIVERED EQUIVALENT ATLANTA	-	1.7835-2.0141 M 1.8443-1.8988
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.8604-2.0910

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9800-1.0000
NORTHEAST- CLASS III - SPOT PRICES	- 1.0700-1.2000

MIDWEST

The weather affected milk demand and distribution. Freezing rain slowed movement in some areas over the weekend and again with heavy rain, a mixture, or heavy snow, depending on how far north, at midweek. Many schools closed around midweek but retail orders were often heavier with the weather forecast of heavy snow and/or ice. Bottling was generally active over the weekend around the holiday to refill the school milk pipeline. Others were also preparing for retail promotional activity. For many handlers, the yearend surplus milk volume seemed smaller than the previous holiday weekend. Many plants operated on lighter than expected volumes over the yearend holiday. Spot milk prices rebounded in January, aided by expectations

of a lower Class III milk price in January and a positive return from cheese/whey sales compared to December. Reported spot manufacturing milk prices after the weekend range from \$1.25 - 2.00 net over class, fob on a light test. Cream demand improved from the lighter holiday levels with the return of more ice cream operations from vacation. However, freezing rain closed one plant after the holiday, reducing demand and causing some supplies to be shifted around. Milk intakes are generally increasing slowly. Fat and protein tests remain strong seasonally. Manufacturing schedules have returned to near pre-holiday levels.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 29 - JAN 5	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 53.50	\$ 42.00- 49.00
REPLACEMENT HEIFER CALVES	\$350.00-550.00	\$270.00-500.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 29 - JAN 5	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 55.50	\$ 45.00- 51.00

WEST

The December 4a price (butter/powder) in CALIFORNIA is \$12.97, \$.20 lower than November but \$.52 higher than last year. This compares to the Federal Order Class IV price for December at \$13.42. The December 4b price (cheese) is \$14.99, down 15 cents from November but \$3.38 higher than last year. This compares to the Federal Order Class III price for December at \$16.14. Milk production is steady to slightly higher in CALIFORNIA. The weather across the state has been extremely wet and that is causing problems at the farm level. The impact has been harder on open lot dairies but the conditions are also impacting free stall dairies. Snow at higher elevations caused road closures north of Los Angeles and transportation had to use alternate routes. Fluid milk demand is lackluster overall. School demand returned, but retail interest is slow. Milk supplies were balanced in a mostly orderly fashion over the year end holidays with only minor delays noted. ARIZONA has also been hit by wet conditions over the past week and more rain is forecast. Milk output has been impacted and the upward seasonal trend has been flatter. Surplus milk volumes were processed over the past few weeks, but have eased. NEW MEXICO milk production is following recent trends with levels generally being above a year ago due to both new producers and additional cows. Fluid milk needs are slightly higher as schools return and retail milk feature needs are filled. CREAM supplies were heavy over the holidays and some distress sales were noted. This week, cream was more balanced but extra loads were being offered around. The butter price at the CME was \$1.5800 on Wednesday, January 5, an increase of 4 cents from a week earlier. Cream multiples range from 111 to 125, FOB, and vary depending on basing points. Some of the wet weather that has been plaguing the Southwest is beginning to move into the PACIFIC NORTHWEST. Conditions are cold and rain/snow is moving into the region. No impact on milk production is noted at this time. Milk is actually moving up slowly along normal seasonal patterns. No problems were reported handling milk over the past two holiday weekends. Cream volumes are still being offered to the churns at a very heavy rate. Heifer prices are firm in a light test. Some dairy quality hay is moving into the region from Montana at a delivered price of about \$160. Dairies are happy to find this new source of good quality hay. Snow and cold weather are also moving into UTAH and IDAHO from the Southwest. Two storms have hit the region and another is expected by this weekend. Producers are actually welcoming the cold weather that has firmed up muddy feedlots. Some low land area flooding has been reported. Heifer prices in the region are steady at firm levels. Offerings are light. Little hay is moving in the region. A number of inquiries for dairy hay are noted.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are higher on a firm market. Milk during the holidays was less than anticipated. In addition, some of the excess milk was diverted into cheese facilities rather than NDM plants, reducing potential NDM production. Many buyers in the Central region are satisfying their low heat NDM interests with Western supplies at delivered prices near the high side of the Central range. In general, spot movement from the Central region is light with most movement occurring on a contractual basis. Inquiries are predominantly from brokers. Producers are uncertain as to when NDM supplies will become more readily available.

EAST: The market tone remains steady to firm. Production during the past holiday period has been heavy through much of last week, but did taper off by the weekend as Class I milk demand resumed. Over the holiday period, additional stock was generated, although much of this supply is already committed to domestic and international buyers. Export shipments continue to clear a large portion of current production. There are no Eastern CCC clearances this year versus nearly 300,000 pounds last year for the first week of the year. Traders and handlers feel that offerings to CCC will remain much lighter this year versus last year. International sales are clearing a significant portion of current production which would probably end up in government warehouses. Under invitation #015, 2,060,025 pounds of government owned non fat dry milk was sold back to the trade for unrestricted use at prices ranging \$0.8100 - \$0.8300 per pound.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during November 2004 totaled 94.5 million pounds, down 14.8% from November 2003 and 0.3% below October 2004. Month ending stocks, at 106.8 million pounds, are 22.5% above a year ago but 7.6% below than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8750 - .9450 MOSTLY: .8800 - .9000

HIGHHEAT: .9325 - 1.0300

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices continue to move higher. The market tone remains firm. Demand is good from all accounts. Direct export sales continue to be made and new inquiries are noted. Cheese makers are using NDM to fortify/standardize cheese vats. Contracts to regular accounts are moving on a timely basis. Production levels have returned to pre holiday levels for most producers after increasing to balance the surplus milk supplies. CCC sold back another 2.1 million pounds of three-year-old NDM in the range of \$.8100-.8300 for unrestricted usage. Current low heat stocks are mostly committed. High heat NDM prices are higher in light trading. Seasonal interest is not developing. Bakery demand is slow. Production levels are light with producers having available inventories. U.S. NDM production in November totaled 94.5 million pounds, 14.8% lower than last year and 0.3% less than October. Cumulative yearly, unadjusted production through November 2004 totals 1.31 billion pounds, 9.2% (133.1 million pounds) less than the same period in 2003. November production in the Western region totaled 82.1 million pounds, down 12.1% from last year. California produced 63.6 million pounds, up 5.3% from November 2003. U.S. manufacturers' stocks at the end of November were reported at 106.8 million pounds, 22.5% more than last year but 7.6% less than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8700 - .9300 MOSTLY: .8800 - .9000

HIGHHEAT: .8900 - .9225

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 31	\$.8742	11,864,736	0
December 24	\$.8723	11,022,340	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and nominal on a steady to weak market. Condensed buttermilk supplies were plentiful during the holidays as many ice cream plants closed. As a result, dryer schedules increased, encouraging the production of dry buttermilk. Although many producers have loads to sell, they are not aggressively marketing dry buttermilk. Offers at the lower end of the range are not readily accepted. Aged product, older than 6 months, is being offered as low as 84 cents F.O.B. Interest remains light with movement noted mostly on a contractual or less than trucklot basis. Production of dry buttermilk during November 2004 totaled 3.8 million pounds, 12.8% more than November 2003 and but 3.3% below October 2004. Month ending stocks, at 6.4 million pounds, are 187.4% above a year ago but 8.5% lower than October 2004.

F.O.B. CENTRAL:

.8750 - .9550

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Buttermilk prices and the market tone are basically steady. The Northeast price series remains nominal. Production during the past few weeks has been quite heavy as butter production was equally strong. Overall demand is slow to fair. Stocks range from moderate to increasing. Dry buttermilk production during November 2004 totaled 3.8 million pounds, up 12.8% from last November, but 3.3% less than October 2004. Month ending stocks, at 6.4 million pounds, are nearly triple last year, but 8.5% less than a month ago.

F.O.B. NORTHEAST:

.9200 - .9400

DELVD SOUTHEAST:

.9500 - .9800

DRY BUTTERMILK - WEST

Western dry buttermilk prices leveled off after recent declines. There is still some uncertainty to the market trend. The rising NDM prices appear to be supporting a floor under the buttermilk market. Offerings are available from several suppliers. Buying interest is fair. Additional loads were dried over the year end, but supplies are in decent balance. U.S. dry buttermilk production in November totaled 3.8 million pounds, up 12.8% from last year but 3.3% less than October. Stocks at the end of November were 6.4 million pounds, nearly 3 times the level a year ago but 8.5% lighter than last month.

F.O.B. WEST:

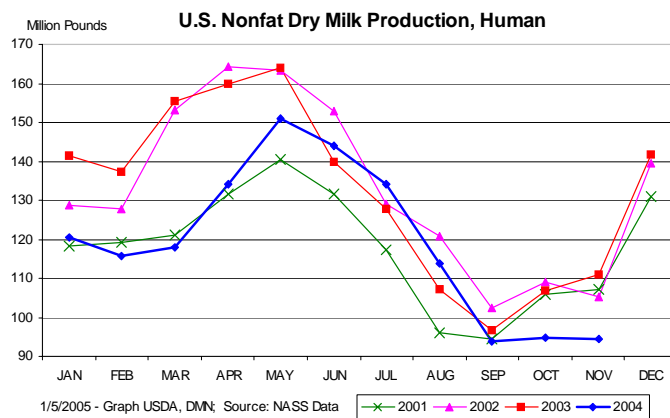
.8800 - .9400 MOSTLY: .9000 - .9100

DRY WHOLE MILK - NATIONAL

Prices are mostly steady and the market tone is unchanged. Demand is slow, fair at best. Stocks of whole milk powder are light and production is also on the light side. Dry whole milk production during November 2004 totaled 3.9 million pounds, down 21.0% from last November but 23.7% more than October 2004.

F.O.B. PRODUCING PLANT:

1.3050 - 1.3500



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to lower on a steady to weak market. Increased milk intakes at cheese plants over the holidays encouraged the production of dry whey. Producer supplies are reportedly in balance yet brokers generally report that multiple load shipments are readily available. Canadian buyers, who source product from the Central region, report that US producers are offering multiple loads of both dry permeate and whey. Most trade is contractual and reduced compared to the coastal areas. Production of human food, dry whey during November 2004 totaled 77.2 million pounds, 1.3% more than November 2003 and 3.1% above October 2004. Month ending stocks, at 32.6 million pounds, are 16.3% below a year ago but 18.5% more than October 2004.

F.O.B. CENTRAL: .2400 - .2475 MOSTLY: .2400 - .2450

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Whey production is lighter as cheese makers try to move milk away from their operations due to the cheese/milk price relationship, although the holiday period did generate some additional milk offerings at more favorable prices. Stocks of whey are limited for the spot market with most supplies committed to regular accounts. Production of human food, dry whey during November totaled 77.2 million pounds, 1.3% more than November 2003 and 3.1% more than October 2004. Month ending stocks, at 32.6 million pounds, are 16.3% below last year, but 18.5% more than a month ago. Production of animal feed, dry whey during November totaled 6.3 million pounds, 3.1% more than a year ago and 11.1% heavier than October 2004.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650
DELVD SOUTHEAST: .2700 - .2825

DRY WHEY - WEST

The Western whey market is showing some signs of strength again after being steady through the end of the year holidays. Producers had thought that there might be quite a bit of stocks because of heavier production and shipping problems, but that doesn't seem to have been the case. Inventories are very manageable to tight. Buyers are looking for additional loads of whey both for export needs and domestically. Some exporters continue to complain about the higher prices, but there are few alternatives at this time. U.S. production of edible whey in November totals 77.2 million pounds, up 1.3% from last year. Stocks at the end of the month are 32.6 million pounds, down 16.3% from November of 2003. Total dry whey production for the first eleven months of the year is 949.0 million pounds, down 4.9% (48.4 million pounds) from the same period in 2003.

NONHYGROSCOPIC: .2425 - .2750 MOSTLY: .2550 - .2625

ANIMAL FEED WHEY - CENTRAL

Prices continue unchanged and nominal on a steady market. Most feed buyers state that whey supplies are in good balance and that interest in additional loads is limited. Offerings of milk replacer quality whey are light. Veal and early weaned pig trade is light. Production of animal, dry whey during November 2004 totaled 6.3 million pounds, 3.1% more than November 2003 and 11.1% above October 2004. Month ending stocks, at 4.1 million pounds, are 9.3% lower than year ago but 44.0% more than October 2004.

F.O.B. CENTRAL: .2000 - .2200
MILK REPLACER:

Commencing Report 15 (April 8, 2005), Dairy Market News will be publishing a Dry Whey Permeate market. The pricing series will include an F.O.B. range for the Central and West region. Specifications are listed below.

Moisture content. Not more than 5 percent. *Milkfat content.* Not more than 1.5 percent. *Protein content.* Not less than 2 percent and not more than 6 percent. *Lactose content.* Not less than 70 percent. *Ash content.* Not more than 10 percent.

Commencing Report 15 (April 8, 2005), Dairy Market News will be moving the Animal Feed Whey-Central Milk Replacer price series into the Dry Whey Central report.

Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708, Email: DonaldO.Nelson@usda.gov, Phone: 608-224-5079, Fax: 608-224-5078

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies are tight. Inquiries are noted from Asia, Central America and domestic markets as a substitute to NDM for edible consumption. Domestic feed buyers continue to search for additional protein sources. As a potential substitute, WPC 80% supplies are reportedly competitively priced with WPC 34% on a per unit of protein basis. Contracts for the year on WPC 34% are mixed. Some firms are fully contracted and unable to meet spot interest. Those firms that are not fully contracted are hesitant to designate supplies due to expected production shifts from WPC 34% to higher concentrates during 2005. Supplies of whey protein concentrates in the EU, Oceania and Canada are reportedly tight. Production of HUMAN FOOD WPC during November 2004 totaled 24.4 million pounds, 9.1% higher from November 2003 and 0.5% above October 2004. Manufacturers' end-of-month stocks totaled 20.0 million pounds, 10.2% lower than a year ago and 2.6% below last month. Production of ANIMAL FEED WPC during November 2004 totaled 4.0 million pounds, up 1.4% from November 2003 but 3.8% below October 2004. Manufacturers' end-of-month stocks totaled 2.5 million pounds, 7.5% below last year but 12.9% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .6525 - .7400 MOSTLY: .6575 - .7000

LACTOSE - CENTRAL AND WEST

Prices are lower. The market tone remains mixed. Higher mesh sized product from brand specific producers is limited in supply and trading at a premium. However, lower mesh sized product appears to be readily available at some locations and trading at a discount with offers and trades noted into some domestic and foreign feed operations as a substitute to dry whey permeate. Production is steady to higher in response to greater milk intakes at some cheese plants and increased production of high protein products. Continual price adjustments are expected as contracts and spot load trades are realized during the first quarter. Lactose production during November 2004 totaled 55.0 million pounds, up 12.3% from November 2003 but 2.3% lower than October 2004. Month ending stocks, at 72.4 million pounds, are 63.1% higher than a year ago and 0.6% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1500 - .2100 MOSTLY: .1600 - .1900

CASEIN - NATIONAL

A new quarter has begun and prices are unchanged to higher. A supplier is carrying their fourth quarter price quotes into the new quarter, while most other suppliers are increasing theirs. Stocks are not in any better shape than they were during the recent quarter. In many instances, domestic buyers continue to look for spot availability to supplement their regular shipments which are often delayed or sometimes reduced due to lack of availability. Government powder continues to be offered for domestic casein production. Bids under invitation #037 to purchase 4,000,000 pounds of government owned non fat dry milk were due on Tuesday, January 4.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.3000
ACID: 3.0000 - 3.3000

EVAPORATED MILK - NATIONAL

The market tone is steady with prices unchanged. Production during the past holiday period has been heavier as milk volumes became more available to evaporated milk producers. Demand has slowed now that holiday orders have been placed and shipped. This is typically a slow demand period for most evaporated milk producers which allows a time for stock replenishment. Canned evaporated milk production during November totaled 45.0 million pounds, 3.6% less than November 2003 but 0.8% more than October 2004. Month ending stocks, at 39.8 million pounds, are 3.6% more than a year ago, but 26.3% less than last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume ^{1/}

Month	12/22	12/23	12/24	12/27	12/28	12/29	12/30	12/31	01/03	01/04
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
DEC 04	16.48 (4816) 22	16.48 (4698) 212	NO TRADING	16.21 (4624) 24	16.20 (4579) 78	16.19 (4164) 0	16.14 0	NO TRADING		
JAN 05	13.80 (3233) 83	13.72 (3308) 206		13.60 (3296) 51	13.62 (3299) 57	13.63 (3298) 55	13.67 (3336) 361		13.63 (3443) 35	13.65 (3341) 36
FEB 05	13.75 (2900) 128	13.70 (2969) 152		13.74 (3019) 117	13.85 (3052) 101	13.85 (3082) 77	13.80 (3175) 160		13.82 (3195) 40	13.89 (3259) 329
MAR 05	13.41 (2796) 148	13.33 (2812) 40		13.40 (2806) 27	13.55 (2793) 59	13.56 (2822) 61	13.56 (2882) 135		13.56 (2934) 75	13.60 (2999) 196
APR 05	13.53 (1750) 70	13.43 (1796) 92		13.50 (1801) 67	13.65 (1852) 73	13.70 (1873) 45	13.60 (1961) 140		13.60 (1959) 30	13.60 (2009) 159
MAY 05	13.52 (1631) 45	13.45 (1624) 69		13.49 (1689) 70	13.65 (1746) 81	13.70 (1764) 40	13.60 (1852) 129		13.59 (1858) 23	13.61 (1906) 79
JUN 05	13.59 (1366) 27	13.55 (1398) 169		13.57 (1414) 51	13.68 (1454) 49	13.65 (1474) 42	13.60 (1495) 43		13.55 (1506) 20	13.55 (1516) 43
JUL 05	13.58 (1099) 42	13.65 (1116) 32		13.75 (1120) 20	13.80 (1158) 83	13.80 (1188) 45	13.70 (1240) 80		13.69 (1244) 15	13.71 (1237) 27
AUG 05	13.76 (1142) 52	13.82 (1151) 28		13.90 (1156) 30	14.00 (1179) 86	14.00 (1210) 51	13.90 (1261) 82		13.89 (1267) 14	13.90 (1277) 27
SEP 05	14.00 (1097) 46	14.01 (1120) 141		14.03 (1153) 67	14.15 (1202) 92	14.20 (1248) 75	14.10 (1272) 51		14.05 (1278) 12	14.05 (1273) 29
OCT 05	13.10 (815) 58	13.15 (823) 28		13.20 (822) 19	13.25 (859) 84	13.25 (874) 38	13.20 (921) 64		13.19 (925) 5	13.25 (937) 26
NOV 05	12.65 (560) 30	12.68 (570) 28		12.68 (574) 15	12.75 (573) 31	12.75 (589) 24	12.67 (619) 60		12.66 (619) 5	12.70 (604) 23
DEC 05	12.40 (573) 30	12.44 (582) 18		12.44 (579) 7	12.50 (577) 20	12.52 (590) 29	12.50 (599) 34		12.44 (599) 2	12.44 (606) 28
JAN 06	12.09 (28) 0	12.09 (30) 2		12.10 (30) 1	12.10 (30) 0	12.10 (29) 0	12.10 (29) 2		12.10 (29) 0	12.10 (29) 0
FEB 06	12.07 (16) 0	12.07 (15) 3		12.08 (15) 0	12.08 (15) 0	12.08 (15) 0	12.08 (16) 1		12.08 (16) 0	12.08 (16) 0
MAR 06	12.08 (12) 0	12.08 (12) 0		12.08 (12) 0	12.08 (12) 0	12.08 (12) 0	12.08 (12) 2		12.08 (12) 0	12.08 (12) 0
APR 06	12.05 (12) 0	12.05 (12) 0		12.05 (12) 0	12.05 (12) 0	12.05 (12) 0	12.05 (12) 1		12.05 (12) 0	12.05 (12) 0
MAY 06	12.00 (4) 0	12.00 (4) 0		12.00 (4) 0	12.00 (4) 0	12.03 (4) 0	12.03 (6) 2		12.03 (6) 0	12.03 (6) 0
JUN 06	12.03 (2) 0	12.03 (2) 0		12.03 (2) 0	12.03 (2) 0	12.03 (2) 0	12.03 (2) 0		12.03 (2) 0	12.03 (2) 0
JUL 06	12.50 (2) 0	12.50 (2) 0		12.50 (2) 0	12.50 (2) 0	12.50 (2) 0	12.50 (2) 0		12.50 (2) 0	12.50 (2) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
JAN 05	12.35 (9) 0	12.35 (9) 0	NO TRADING	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	NO TRADING	12.35 (9) 0	12.35 (9) 0
FEB 05	12.35 (9) 0	12.35 (9) 0		12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0		12.35 (9) 0	12.35 (9) 0
MAR 05	12.30 (7) 0	12.30 (7) 0		12.30 (7) 0	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0		12.30 (7) 0	12.30 (7) 0
APR 05	11.75 (7) 0	11.75 (7) 0		11.75 (7) 0	11.75 (7) 0	11.75 (7) 0	11.75 (7) 0		11.75 (7) 0	11.75 (7) 0
MAY 05	11.75 (5) 0	11.75 (5) 0		11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0		11.75 (5) 0	11.75 (5) 0
JUN 05	11.75 (5) 0	11.75 (5) 0		11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0		11.75 (5) 0	11.75 (5) 0
SEP 05	11.75 (1) 0	11.75 (1) 0		11.75 (1) 0	11.75 (1) 0	11.75 (1) 0	11.75 (1) 0		11.75 (1) 0	11.75 (1) 0
OCT 05	11.75 (5) 0	11.75 (5) 0		11.75 (5) 0	11.75 (5) 0	11.75 (5) 0	11.75 (5) 0		11.75 (5) 0	11.75 (5) 0
NOV 05	11.75 (6) 0	11.75 (6) 0		11.75 (6) 0	11.75 (6) 0	11.75 (6) 0	11.75 (6) 0		11.75 (6) 0	11.75 (6) 0
CME - BUTTER FUTURES -- Cents per pound										
MAR 05	161.00 (148) 0	159.75 (148) 5	NO TRADING	158.50 (1) 0	159.00 (167) 12	163.00 (167) 0	163.00 (185) 21	NO TRADING	164.00 (208) 23	164.50 (203) 3
MAY 05	160.00 (103) 0	160.00 (103) 0		160.00 (159) 13	160.00 (109) 0	161.00 (109) 0	162.50 (113) 7		165.00 (113) 0	165.00 (116) 3
JUL 05	160.25 (56) 0	160.25 (56) 0		160.25 (109) 6	160.50 (56) 0	160.50 (56) 1	165.00 (57) 1		165.00 (59) 2	165.00 (59) 0
SEP 05	163.00 (29) 0	163.00 (29) 0		163.00 (57) 1	160.25 (29) 0	163.00 (30) 1	163.50 (30) 0		165.00 (30) 0	165.00 (31) 1
OCT 05	163.00 (14) 0	163.00 (14) 0		163.00 (29) 0	163.00 (14) 0	163.00 (14) 1	163.50 (14) 0		165.00 (14) 0	165.00 (14) 0

^{1/} At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 27, 2004 - January 7, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: The winter season is now at hand in Europe. Cold temperatures are being reported, although overall conditions are not overly adverse to milk production. Milk output is seasonally low, although producers and handlers are looking forward to the upcoming new production season. Reports continue to indicate that output is trailing last season, although some producers will need to adjust their milk marketings as the quota year end nears. Trading activity remains slow. Traders and exporters report that the year end holidays are still a factor, but attribute slow sales to a weaker market. Prices are adjusting lower as the dollar firms against the Euro. Often when prices are adjusting lower, it takes awhile for buyers to return to the market in hopes of attaining the lowest price before placing orders. Stocks of manufactured dairy products are available for renewed buyer interest. Traders and handlers indicate that the new milk production season is just around the corner, thus additional new stocks will be generated. As of January 1, 2005, the EU will modify its' Common Agricultural Policy so the most direct subsidies are de-coupled from markets and production volumes. Under the new program, a single farm payment or single payment scheme (SPS) will be made independent of production. The payments will be linked to environmental, animal and plant health, food safety, and animal welfare standards. The SPS applies to main market sectors which include milk. Member states had the option to apply for the SPS between 2005 and 2007. Ten member states (Austria, Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, Portugal, Sweden, and the UK) will begin operations under this new system in 2005, 5 states (Finland, France, Greece, the Netherlands, and Spain) in 2006, and 2 new states (Malta and Slovenia) in 2007.

BUTTER/BUTTEROIL: The European butter market tone is steady to weak with prices basically unchanged. A weak tone to the market has been occurring for the past few weeks with prices adjusting lower. Stocks of butter are reported to be available for both domestic and international buyer interest. At this point, most sales activity continues to center around internal or domestic needs. International buyers are still holding off placing orders until they feel prices have reached the lowest possible level. Russian buyer interest has been reported, although not at levels of previous years.

82% BUTTERFAT:	1,900 - 2,150
99% BUTTERFAT:	2,100 - 2,600

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to weak with prices unchanged to lower. Prices have weakened over recent weeks. Traders and handlers are not quite sure where this market will settle, but feel that some additional weakness might occur, especially if the dollar continues to firm against the Euro as it has in recent days. International buyers remain absent from market as prices adjust. Stocks of skim milk powder are available for both domestic and international buyer interest.

1.25% BUTTERFAT:	2,150 - 2,400
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices, but a weak undertone prevails. In recent weeks, prices have adjusted lower in hopes of stimulating buyer interest. This trend has attracted the attention of some buyers, but they are still hesitant to commit due to possible additional weakness. Traders and handlers feel that buyers must be in need of powder since many of them have been out of the market for quite some time.

26% BUTTERFAT:	2,250 - 2,400
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SWEET WHEY POWDER: Whey powder markets are generally steady, with prices unchanged to slightly lower. Cheese production is seasonally low, although whey stocks are available for both domestic and international buyer interest. Most sales are centered around an internal market with international buyer interest very light. Traders and handlers attribute slow international sales to higher than desired asking prices.

NONHYGROSCOPIC:	600 - 750
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EASTERN EUROPEAN OVERVIEW: In Eastern Europe, milk production trends are following typical patterns for this time of the season. Most producers are at seasonal low levels, but are optimistic about the upcoming new season. Temperatures are cold, although overall winter weather conditions are not as negative for milk production as in previous years at this time. Stocks of manufactured dairy products are available for potential buyer interest. Lower

OCEANIA

OCEANIA OVERVIEW: Oceania milk production trends continue to follow those of previous weeks. Milk output is on the down side of the season in both New Zealand and Australia. No new production reports have been officially released in recent days, although milk handlers and producers are indicating that milk volumes are trailing last year in both countries. Milk handlers remain optimistic about the second half of the season and are hopeful that milk production will not decline too rapidly and last half of the season production will be able to make up some of the first half loss. The year end holidays continue to influence market activity. For the most part, no new sales activity is being reported and stocks of manufactured dairy products in Oceania remain limited and tight. Most stock is fully committed to regular and ongoing customer needs. Traders and exporters in Oceania are commenting on the influence the Tsunami disaster is having on dairy export activity. At this point, for the short term, there may have been some minimal impact of the food service sectors in the affected countries. Long term, the concern is what impact the disaster has on the economics. Traders state that there is a strong correlation between the economic well being and demand in most Asian countries and most remain quite buoyant about the outlook for the Asian region but the disaster could hit hard.

BUTTER: Oceania butter markets are generally steady with prices basically unchanged. No new sales activity is being reported out of Oceania with most activity continuing to center around regular and ongoing customer needs. Stocks of butter remain in close balance and are often referred to as tight. Most producers and handlers are hopeful that the second half of the milk production season will be positive so that they may be able to recoup some additional supply not generated during the first half.

82% BUTTERFAT:	1,850 - 2,350
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CHEDDAR CHEESE: Cheese markets and prices are unchanged. Traders and handlers report that sales and trading activity is centering around regular and ongoing customer needs. Lighter than desired stocks in Oceania are limiting sales negotiations with potential new customers. Traders and handlers state that it will be until later in the season before they will be able to acknowledge any additional buyer interest.

39% MAXIMUM MOISTURE:	2,650 - 2,900
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SKIM MILK POWDER (SMP): Skim milk powder markets remain steady at unchanged prices. Sales activity over the year end holiday period has been slow with shipments occurring as scheduled. Stocks remain in very close balance with demand and are often much tighter than desired. Traders and handlers continue to indicate that they do not have any additional powder to offer at this time and are not committing to potential buyers for later in the season.

1.25% BUTTERFAT:	2,100 - 2,300
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WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady at unchanged prices. Market activity remains slow and continues to center around regular and ongoing customer needs. Stocks of Oceania whole milk powder are in very close balance with demand and are often tighter than desired for this time of the season. No new sales activity is being reported as most all stock is fully committed.

26% BUTTERFAT:	2,150 - 2,300
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Exchange rates for selected foreign currencies: January 3, 2005

.8287 Canadian Dollar	.0230 Indian Rupee
.3368 Argentina Peso	.7137 New Zealand Dollar
.0891 Mexican Peso	.7738 Australian Dollar
.3303 Polish Zloty	.0097 Japanese Yen
	1.3471 Euro

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0891) = 11.2233$
That is 1 US Dollar equals 11.2233 Mexican Pesos.

Source: "Wall Street Journal"

EASTERN OVERVIEW CONTINUED: prices are being reported with traders and handlers hopeful that this will encourage buyers to return to the market place.

MONTHLY SUMMARY AND AVERAGES FOR DECEMBER 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 48 ::-----::	::REPORT NUMBER 49 ::-----::	::REPORT NUMBER 50 ::-----::	::REPORT NUMBER 51 ::-----::	::REPORT NUMBER 52 ::-----::	2004 Average	2003 Average
	DEC 01 - 03	DEC 06 - 10	DEC 13 - 17	DEC 20 - 24	DEC 27 - 31	or Total	or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.8700 - 0.9400	:: 0.8500 - 0.9200	:: 0.8500 - 0.9200	:: 0.8500 - 0.9200	:: 0.8500 - 0.9200	:: 0.8876	:: 0.8477
-- Mostly	:: 0.8700 - 0.8900	:: 0.8700 - 0.8800	:: 0.8700 - 0.8800	:: 0.8700 - 0.8800	:: 0.8700 - 0.8800	:: 0.8757	:: 0.8477
-- High Heat	:: 0.9200 - 0.9800	:: 0.9100 - 0.9700	:: 0.9100 - 0.9700	:: 0.9100 - 0.9700	:: 0.9100 - 1.0300	:: 0.9478	:: 0.9061
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.8000 - 0.9300	:: 0.8400 - 0.9300	:: 0.8400 - 0.9300	:: 0.8500 - 0.9300	:: 0.8600 - 0.9300	:: 0.8857	:: 0.8388
-- Mostly	:: 0.8500 - 0.8900	:: 0.8500 - 0.9000	:: 0.8550 - 0.9000	:: 0.8600 - 0.9000	:: 0.8700 - 0.9000	:: 0.8782	:: 0.8088
-- High Heat	:: 0.8400 - 0.9000	:: 0.8400 - 0.9000	:: 0.8400 - 0.9000	:: 0.8700 - 0.9000	:: 0.8800 - 0.9000	:: 0.8776	:: 0.8438
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2400 - 0.2500	:: 0.2450	:: 0.1942
-- Mostly	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2400 - 0.2450	:: 0.2425	:: 0.1945
-- West (f.o.b.)	:: 0.2400 - 0.2650	:: 0.2400 - 0.2650	:: 0.2300 - 0.2725	:: 0.2350 - 0.2800	:: 0.2400 - 0.2800	:: 0.2549	:: 0.1891
-- Mostly	:: 0.2450 - 0.2525	:: 0.2500 - 0.2550	:: 0.2500 - 0.2600	:: 0.2500 - 0.2600	:: 0.2500 - 0.2600	:: 0.2536	:: 0.1818
-- Northeast (f.o.b.)	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2475 - 0.2650	:: 0.2563	:: 0.2100
-- Southeast (Delvd)	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2700 - 0.2825	:: 0.2763	:: 0.2287
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.5800 - 0.6400	:: 0.5800 - 0.6400	:: 0.6100 - 0.7000	:: 0.6200 - 0.7400	:: 0.6200 - 0.7400	:: 0.6502	:: 0.5521
-- Mostly	:: 0.6100 - 0.6250	:: 0.6175 - 0.6275	:: 0.6275 - 0.6575	:: 0.6425 - 0.6625	:: 0.6425 - 0.6625	:: 0.6392	:: 0.5568
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.2000 - 0.2300	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2000 - 0.2200	:: 0.2107	:: 0.1813
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 0.9000 - 0.9550	:: 0.9000 - 0.9550	:: 0.8800 - 0.9550	:: 0.8750 - 0.9550	:: 0.8750 - 0.9550	:: 0.9199	:: 0.9738
-- West (f.o.b.)	:: 0.9250 - 1.0500	:: 0.9000 - 1.0200	:: 0.9000 - 0.9800	:: 0.8950 - 0.9500	:: 0.8800 - 0.9400	:: 0.9402	:: 0.8650
-- Mostly	:: 0.9500 - 1.0300	:: 0.9300 - 0.9700	:: 0.9000 - 0.9200	:: 0.9000 - 0.9200	:: 0.9000 - 0.9100	:: 0.9280	:: 0.8577
-- Northeast (f.o.b.)	:: 1.0000 - 1.0200	:: 0.9200 - 0.9600	:: 0.9200 - 0.9600	:: 0.9200 - 0.9400	:: 0.9200 - 0.9400	:: 0.9448	:: 0.8450
-- Southeast (Delvd)	:: 0.9500 - 1.0400	:: 0.9500 - 1.0000	:: 0.9500 - 1.0000	:: 0.9500 - 0.9800	:: 0.9500 - 0.9800	:: 0.9733	:: 0.8900
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.2675 - 1.5000	:: 1.3050 - 1.5200	:: 1.3050 - 1.5200	:: 1.3050 - 1.3500	:: 1.3050 - 1.3500	:: 1.3718	:: 1.1464
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1450 - 0.2300	:: 0.1450 - 0.2300	:: 0.1450 - 0.2300	:: 0.1450 - 0.2300	:: 0.1450 - 0.2300	:: 0.1875	:: 0.2314
-- Mostly	:: 0.1700 - 0.2000	:: 0.1700 - 0.2000	:: 0.1700 - 0.2000	:: 0.1700 - 0.2000	:: 0.1700 - 0.2000	:: 0.1850	:: 0.2142
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 2.8500 - 3.0500	:: 2.8500 - 3.1500	:: 2.8500 - 3.1500	:: 2.8500 - 3.1500	:: 2.8500 - 3.1500	:: 2.9935	:: 2.1500
-- Nonrestricted - Acid	:: 2.9000 - 3.0500	:: 2.9000 - 3.0500	:: 2.9000 - 3.0500	:: 2.9000 - 3.1500	:: 2.9000 - 3.1500	:: 2.9967	:: 2.1500

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR DECEMBER 2004

COMMODITY	::REPORT NUMBER 48::	REPORT NUMBER 49::	REPORT NUMBER 50::	REPORT NUMBER 51::	REPORT NUMBER 52::	2004 *	2003 *
	::-----::	-----::	-----::	-----::	-----::	Monthly	Monthly
	:: DEC 1 - 3 ::	DEC 6 - 10 ::	DEC 13 - 17 ::	DEC 20 - 23 ::	DEC 27 - 30 ::	Average	Average

BUTTER*							
-- GRADE AA							
--Monday	::	:: 2.0000	:: 1.5500	:: 1.5350	:: 1.5350	::	:
--Tuesday	::	::	::	::	::	::	:
--Wednesday	:: 2.0525	:: 2.0000	:: 1.5500	:: 1.5350	:: 1.5400	::	:
--Thursday	::	::	::	::	::	::	:
--Friday	:: 2.0525	:: 1.6000	:: 1.5500	:: #	:: #	:: 1.7083	: 1.2969
--Weekly Average**	:: 2.0517	:: 1.8667	:: 1.5500	:: 1.5350	:: 1.5375	::	:
CHEESE*							
-- BARRELS							
--Monday	::	:: 1.7300	:: 1.3950	:: 1.4000	:: 1.4500	::	:
--Tuesday	::	:: 1.6725	:: 1.3975	:: 1.4100	:: 1.4500	::	:
--Wednesday	:: 1.7775	:: 1.5950	:: 1.4025	:: 1.4050	:: 1.4500	::	:
--Thursday	:: 1.7975	:: 1.5950	:: 1.4025	:: 1.4200	:: 1.4500	::	:
--Friday	:: 1.8375	:: 1.5950	:: 1.3775	:: #	:: #	:: 1.5243	: 1.2621
--Weekly Average**	:: 1.7945	:: 1.6375	:: 1.3950	:: 1.4088	:: 1.4500	::	:
-- 40# BLOCKS							
--Monday	::	:: 1.7500	:: 1.4200	:: 1.4825	:: 1.4850	::	:
--Tuesday	::	:: 1.7000	:: 1.4225	:: 1.4825	:: 1.4850	::	:
--Wednesday	:: 1.8600	:: 1.7325	:: 1.4350	:: 1.4850	:: 1.4850	::	:
--Thursday	:: 1.9525	:: 1.7325	:: 1.4525	:: 1.4850	:: 1.4850	::	:
--Friday	:: 1.9525	:: 1.7000	:: 1.4525	:: #	:: #	:: 1.5923	: 1.3383
--Weekly Average**	:: 1.8845	:: 1.7230	:: 1.4365	:: 1.4838	:: 1.4850	::	:
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	::	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Tuesday	::	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Wednesday	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Thursday	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Friday	:: 0.8500	:: 0.8600	:: 0.8600	:: #	:: #	:: 0.8576	: 0.8400
--Weekly Average**	:: 0.8500	:: 0.8560	:: 0.8600	:: 0.8600	:: 0.8600	::	:
-- GRADE A							
--Monday	::	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Tuesday	::	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Wednesday	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Thursday	:: 0.8500	:: 0.8600	:: 0.8600	:: 0.8600	:: 0.8600	::	:
--Friday	:: 0.8500	:: 0.8600	:: 0.8600	:: #	:: #	:: 0.8576	: 0.8400
--Weekly Average**	:: 0.8500	:: 0.8560	:: 0.8600	:: 0.8600	:: 0.8600	::	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

CME Closed, no trading.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, DECEMBER

Component Price Information: Under the Federal milk order pricing system, the butterfat price for December 2004 is \$2.0366 per pound. Thus, the Class II butterfat price is \$2.0436. The protein and other solids prices for December are \$2.8486 and \$0.0858 per pound, respectively. These component prices set the Class III skim milk price at \$9.34 per cwt. The December Class IV skim milk price is \$6.52 which is derived from the nonfat solids price of \$0.7240 per pound. **Product Price Averages:** The product price averages for December are; butter \$1.8122, nonfat dry milk \$0.8713, cheese \$1.7146, and dry whey \$0.2423.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	DECEMBER 2004				JANUARY 2005
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	17.68	13.98	16.14	13.42	19.90
Appalachian (Charlotte) 5/	005	17.53	13.98	16.14	13.42	19.75
Southeast (Atlanta) 6/	007	17.53	13.98	16.14	13.42	19.75
Florida (Tampa) 7/	006	18.43	13.98	16.14	13.42	20.65
Mideast (Cleveland) 8/	033	16.43	13.98	16.14	13.42	18.65
Upper Midwest (Chicago) 9/	030	16.23	13.98	16.14	13.42	18.45
Central (Kansas City) 10/	032	16.43	13.98	16.14	13.42	18.65
Southwest (Dallas) 11/	126	17.43	13.98	16.14	13.42	19.65
Arizona-Las Vegas (Phoenix) 12/	131	16.78	13.98	16.14	13.42	19.00
Pacific Northwest (Seattle) 13/	124	16.33	13.98	16.14	13.42	18.55
All-Market Average	---	17.08	13.98	16.14	13.42	19.30

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, JANUARY 2005, WITH COMPARISONS ^{1/}												
CITY	January 2003			January 2004			December 2004			January 2005		
	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference
Dollars Per Hundredweight, 3.5% Butterfat												
Atlanta, GA	15.59	13.66	1.93	16.63	14.95	1.68	18.71	17.53	1.18	20.93	19.75	1.18
Baltimore, MD	15.26	13.56	1.70	16.70	14.85	1.85	19.23	17.43	1.80	21.45	19.65	1.80
Boston, MA	15.21	13.81	1.40	16.80	15.10	1.70	19.38	17.68	1.70	21.60	19.90	1.70
Charlotte, NC	15.59	13.66	1.93	16.63	14.95	1.68	18.71	17.53	1.18	20.93	19.75	1.18
Chicago, IL ^{2/}	14.59	12.36	2.23	15.36	13.65	1.71	18.96	16.23	2.73	21.28	18.45	2.83
Cincinnati, OH	14.33	12.76	1.57	15.72	14.05	1.67	18.39	16.63	1.76	20.61	18.85	1.76
Cleveland, OH	14.13	12.56	1.57	15.52	13.85	1.67	18.19	16.43	1.76	20.41	18.65	1.76
Dallas, TX	14.96	13.56	1.40	16.00	14.85	1.15	18.00	17.43	0.57	20.15	19.65	0.50
Denver, CO	13.96	13.11	0.85	15.25	14.40	0.85	17.83	16.98	0.85	20.05	19.20	0.85
Des Moines, IA	13.74	12.36	1.38	15.03	13.65	1.38	17.96	16.23	1.73	20.17	18.45	1.72
Detroit, MI ^{2/}	13.52	12.36	1.16	15.42	13.65	1.77	17.89	16.23	1.66	20.11	18.45	1.66
Hartford, CT	15.11	13.71	1.40	16.70	15.00	1.70	19.28	17.58	1.70	21.50	19.80	1.70
Houston, TX	15.56	14.16	1.40	16.60	15.45	1.15	18.60	18.03	0.57	20.75	20.25	0.50
Indianapolis, IN	14.13	12.56	1.57	15.52	13.85	1.67	18.19	16.43	1.76	20.41	18.65	1.76
Kansas City, MO	14.33	12.56	1.77	15.17	13.85	1.32	17.65	16.43	1.22	19.86	18.65	1.21
Louisville, KY	13.86	12.76	1.10	15.57	14.05	1.52	18.24	16.63	1.61	20.46	18.85	1.61
Memphis, TN	15.09	13.36	1.73	16.13	14.65	1.48	18.21	17.23	0.98	20.43	19.45	0.98
Miami, FL ^{3/}	18.00	14.86	3.14	18.90	16.15	2.75	20.98	18.73	2.25	23.29	21.04	2.25
Milwaukee, WI ^{2/}	14.69	12.31	2.38	15.46	13.60	1.86	18.91	16.18	2.73	21.23	18.40	2.83
Minneapolis, MN ^{2/}	14.04	12.26	1.78	15.11	13.55	1.56	18.61	16.13	2.48	20.93	18.35	2.58
New Orleans, LA	15.74	14.16	1.58	16.78	15.45	1.33	19.01	18.03	0.98	21.23	20.25	0.98
Oklahoma City, OK	14.81	13.16	1.65	15.65	14.45	1.20	17.65	17.03	0.62	19.80	19.25	0.55
Omaha, NE	13.79	12.41	1.38	15.08	13.70	1.38	17.71	16.28	1.43	19.92	18.50	1.42
Philadelphia, PA	15.40	13.61	1.79	16.75	14.90	1.85	19.49	17.48	2.01	21.71	19.70	2.01
Phoenix, AZ	13.06	12.91	0.15	14.35	14.20	0.15	16.93	16.78	0.15	19.15	19.00	0.15
Pittsburgh, PA	14.47	12.66	1.81	15.95	13.95	2.00	18.60	16.53	2.07	20.82	18.75	2.07
St. Louis, MO	13.81	12.56	1.25	15.10	13.85	1.25	17.98	16.43	1.55	20.20	18.65	1.55
Seattle, WA	12.88	12.46	0.42	14.17	13.75	0.42	16.75	16.33	0.42	18.97	18.55	0.42
Springfield, MO	14.41	12.76	1.65	15.25	14.05	1.20	17.25	16.63	0.62	19.40	18.85	0.55
Washington, DC	15.26	13.56	1.70	16.70	14.85	1.85	19.23	17.43	1.80	21.45	19.65	1.80
Simple Average ^{2/}	14.64	13.09	1.56	15.87	14.38	1.49	18.42	16.96	1.46	20.64	19.18	1.46

^{1/} This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

^{2/} Announced Coop. price for December has been revised. Also, Announced Coop. price for Detroit for November has been revised to \$17.75.

^{3/} Federal Order Class I price for Jan. 2005 includes the "\$0.09 Hurricane Relief Assessment" to be consistent with cooperative's Class I Price Announcement.

DECEMBER AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in December 2004 was unchanged at 134. Compared with December 2003, the index was up 5 points (3.9 percent). The index of prices received by farmers for dairy products advanced 3 points during the month of December 2004 to 126. Compared with December 2003, the index was up 20 points (18.9 percent).

Prices received by farmers in December with changes from November were: for All Milk, \$16.50 per hundredweight (cwt.), up \$.40; Fluid Grade Milk, \$16.50 per cwt., up \$.40; and for Manufacturing Grade Milk, \$15.90 per cwt., up \$.30.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., DECEMBER 2004 WITH COMPARISONS

STATE	All-milk price <u>1/</u> <u>3/</u>				Milk cows <u>5/</u>		Cows <u>6/</u>		All hay baled <u>7/</u>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	NOVEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER	
	2004 <u>2/</u>	2003 <u>2/</u>	2004 <u>4/</u>	2003 <u>2/</u>	2004	2003	2004 <u>7/</u>	2003 <u>8/</u>	2004	2003
CA	14.42	12.80	14.30	12.37	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		45.60	46.00	120.00	87.00
ID	15.50	13.00	16.50	12.40			46.40	48.50	108.00	90.00
MI	16.20	14.70	17.00	14.00			48.00	48.00	99.00	96.00
MN	16.60	14.90	17.10	13.80			50.50	54.30	71.00	69.00
NM	15.20	14.00	16.20	13.40			52.00	50.70	117.00	135.00
NY	16.80	15.10	17.00	14.70			---	---	108.00	109.00
PA	17.70	16.30	18.30	15.90			47.10	46.90	126.00	143.00
TX	16.30	15.10	16.80	14.60			48.30	45.70	74.00	68.00
WA	15.70	14.10	16.50	13.40			---	---	108.00	91.00
WI	16.90	15.10	17.40	14.00			48.50	51.00	79.00	97.00
U.S.	16.10	14.40	16.50	13.80			48.70	49.20	84.30	80.60

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., DECEMBER 2004 WITH COMPARISON

ITEM	DECEMBER 2003	NOVEMBER 2004 <u>1/</u>	DECEMBER 2004 <u>2/</u>
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	13.80	16.10	16.50
Fluid grade milk	13.80	16.10	16.50
Manufacturing grade milk	12.70	15.60	15.90
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	114	115	112
Prices received by farmers for dairy products	106	123	126
Prices paid by farmers for commodities and services, interest taxes, and wage rates	129	134	134
Prices paid by farmers for production items	126	131	130
Prices paid by farmers for feed	117	102	101
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>3/</u>	2.85	3.57	3.73

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

SOURCE: "Agricultural Prices," Pr 1 (12/04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

NOVEMBER 2004 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 99.1 million pounds in November, 12.0 percent above November 2003 but 2.4 percent below October 2004. **AMERICAN TYPE CHEESE** production totaled 305.6 million pounds, 5.0 percent above November 2003 but 1.5 percent below October 2004. **TOTAL CHEESE** output (excluding cottage cheese) was 749.6 million pounds, 5.6 percent above November 2003 and 0.2 percent above October 2004. **NONFAT DRY MILK** production, for human food, totaled 94.5 million pounds, 14.8 percent below November 2003 and 0.3 percent below October 2004. **DRY WHEY** production, for human food, was 83.5 million pounds, 1.4 percent above November 2003 and 3.7 percent above October 2004. **ICE CREAM** (hard) production totaled 60.1 million gallons, 0.9 percent above November 2003 but 12.2 percent below October 2004.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	NOV 2004	PERCENT CHANGE FROM:			PRODUCT	NOV 2004	PERCENT CHANGE FROM:		
	1,000 LBS.	NOV 2003	OCT 2004	YEAR TO DATE 1/		1,000 LBS.	NOV 2003	OCT 2004	YEAR TO DATE 1/
BUTTER	99,077	12.0	-2.4	-1.8	SOUR CREAM	99,102	9.7	17.0	
CHEESE					YOGURT (PLAIN AND FLAVORED)	189,367	8.7	-9.4	---
AMERICAN TYPES 2/	305,606	5.0	-1.5	2.2	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	224,952	5.8	1.3	1.0	SWEET-TYPE, HUMAN FOOD	6,929	-23.1	-7.0	---
SWISS	22,537	0.2	-3.2	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	7,117	-2.8	-4.1	---	DRY WHEY, HUMAN FOOD	77,186	1.3	3.1	---
CREAM & NEUFCHATEL	71,406	1.1	-2.5	---	DRY WHEY, ANIMAL FEED	6,345	3.1	11.1	---
HISPANIC	11,442	7.4	-7.4	---	DRY WHEY, TOTAL	83,531	1.4	3.7	-4.9
MOZZARELLA	247,656	7.5	4.9	3.4	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	63,550	8.0	-2.4	5.0	HUMAN FOOD	2,393	-24.3	-19.0	---
TOTAL ITALIAN TYPES	311,206	7.6	3.4	3.8	ANIMAL FEED 7/	3,695	7.8	1.0	
ALL OTHER TYPES	20,267	8.5	-0.2	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	55,005	12.3	-2.3	---
TOTAL	749,581	5.6	0.2	3.0	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	34,946	-3.2	-0.1	---	HUMAN FOOD	24,376	9.1	0.5	---
COTTAGE CHEESE, CREAM 4/	29,096	1.3	-7.4	-1.7	ANIMAL FEED	4,004	1.4	-3.8	---
COTTAGE CHEESE, LOWFAT 5/	29,021	-2.4	-7.8	2.3					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	45,003	-3.6	0.8	---	ICE CREAM (HARD)	60,086	0.9	-12.2	-4.5
DRY WHOLE MILK	3,873	-21.0	23.7	---	ICE CREAM, LOWFAT (HARD)	7,788	19.0	-14.6	---
NONFAT DRY MILK, HUMAN FOOD	94,494	-14.8	-0.3	-9.2	ICE CREAM, LOWFAT (SOFT)	18,867	28.0	-10.6	---
DRY SKIM MILK, ANIMAL FEED	576	73.0	57.8	---	ICE CREAM, LOWFAT (TOTAL)	26,655	25.2	-11.8	15.7
DRY BUTTERMILK	3,826	12.8	-3.3	---	SHERBET (HARD)	3,427	8.1	-4.3	1.0
					YOGURT (TOTAL)	4,422	0.5	-8.1	-5.1

MANUFACTURERS' STOCKS, END OF MONTH 8/							
PRODUCT	NOV 2004	PERCENT OF:		PRODUCT	NOV 2004	PERCENT OF:	
	1,000 LBS.	NOV 2003	OCT 2004		1,000 LBS.	NOV 2003	OCT 2004
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	32,613	-16.3	18.5	HUMAN FOOD	19,959	-10.2	-2.6
DRY WHEY, ANIMAL FEED	4,110	-9.3	44.0	ANIMAL FEED	2,476	-7.5	12.9
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	5,531	-30.1	-5.1	CANNED EVAPORATED & CONDENSED WHOLE MILK	39,762	3.6	-26.3
LACTOSE, HUMAN FOOD & ANIMAL FEED	72,419	63.1	0.6	NONFAT DRY MILK FOR HUMAN FOOD	106,811	22.5	-7.6
DRY BUTTERMILK, TOTAL	6,403	187.4	-8.5				

1/ 2004 cumulative as percent change of 2003 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Not shown when fewer than 3 plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (1-05), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 3 - 7, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 12/31/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Nonfortified	-0-	-0-	-0-	31,817,269	132,529,831	-0-	856,250,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	132,410,783	-0-	902,641,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 3 - 7, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	3.6	192.0
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	29.1	1,541.3
CUMULATIVE JANUARY 1 - JANUARY 7, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	3.6	192.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JANUARY 3 - 7, 2005 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	849,976	4.2	0.6
WEST	-0-	-0-	-0-	-0-	29,415,099	131,298,476	92.4	99.2
EAST	-0-	-0-	-0-	-0-	1,070,603	262,331	3.4	0.2
TOTAL	-0-	-0-	-0-	-0-	31,817,269	132,410,783	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2005 is 0 pounds.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/18/04 & Comparable Week 2003

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2004-Dairy	0.0	0.8	7.9	3.0	18.7	4.8	1.2	1.1	13.5	3.3	54.4	2,312.5	49.8	46.8
2003-Dairy	0.2	0.7	8.8	5.3	21.5	2.6	0.5	1.1	15.2	2.7	58.5	2,815.4	47.8	47.5
2004-All cows	0.1	0.8	9.8	11.8	33.1	15.4	13.3	3.5	15.4	6.1	109.2	4,946.0		
2003-All cows	0.2	0.9	11.9	12.3	33.1	17.2	19.9	3.3	16.8	6.9	122.4	5,921.9		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2005
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78	14.29	14.43	16.65
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66	13.57	14.09	13.98	
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14	
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00	12.81	13.34	13.42	

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm